

Economic Weekly - Holiday Edition

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How the Grinch Stole CRE-mas *(for best results, this word has two syllables)

Every investor in IOU-ville liked rate cuts a lot,
But the Grinch up on Mount Dumpit surely did not.
The Grinch hated easing and liquidity surges—
Now don't ask him why; he'd blame profligate splurges.

It could be his screens weren't aligned just quite right.
It could be his models had yield spreads too tight.
But I think that the most likely reason of all
Was the rise of the cap rates that once had been small.

But whatever the reason—repricing or debt—
He stared down from his cave, frowned, and upset.
For he knew every investor in IOU-ville below
Was expecting big rate cuts and prices to grow.

"And they're using pro formas!" he snarled with a sneer.
"Tomorrow the dot plot... it's practically here!"
Then he growled, with his Grinch fingers nervously drumming,
"I must stop recovery from ever becoming!"

For year after year, he'd watched volumes stay low,
Distress steeply rising and progress too slow.
With confidence down and liquidity thin,
IOU-ville kept saying, "Let recovery begin!"

They'll roll their debt forward—extend and pretend!
They'll price every asset like good times won't end!
And then—oh the noise! Oh the noise, noise, noise, noise!—
They'll cheer their new values and other deft ploys.

And they'd lease, oh they'd lease, how they'd lease, lease, lease, lease!
They'd cheer as the showings seemed not to cease.
They'd feast on assumptions of rents that increased—
Which was something the Grinch couldn't stand in the least!

For the markets in IOU-ville loved income growth too,
And investors kept rolling old debt into new.
The Grinch cried, "I must stop CRE-mas right now!"
"I'll freeze up the capital markets, but HOW?"

Then he hatched an idea—an awful idea.
The Grinch had a wonderful, awful idea.

"I know just what to do!" the Grinch laughed in delight,
And he made up a plan that would spark quite a fright:
He'd lift long-term yields with fears of inflation,
He'd warn of rate hikes, causing such hesitation.

He'd tell all of IOU-ville that QT wasn't ending,
That the Treasury curve would keep stubbornly bending.
He'd grumble on Bloomberg about delinquencies tall,
Claim, "Cap-rate compression won't happen at all!"

And he chuckled and chuckled, "What a marvelous scheme!"
No liquidity flood for their repricing dream.
He pictured them gloomy, reviewing their loans,
As defaults all spiked into dangerous zones.

But down in IOU-ville, something strange was afoot,
Despite all his efforts, investors stayed put.
The Fed kept on cutting, inflation slowed down,
And QT was ending—its shrinkage unwound.

Then, Europe was spending, and Japan left stagnation,
As capital flowed with great motivation.
Transaction volumes ticked up from the floor,
And IOU-ville was trading a little bit more.

The Grinch stared and sputtered, "But how can it be?
My tightening rumors aren't freezing their CRE!"
And he watched as they modeled with careful precision,
Repricing old assets with cautious revision.

He watched as industrial started to heal,
While the tight housing market retained its appeal.
He watched then as office—well, still in distress—
But even there, it wasn't quite such a mess.

And he puzzled and puzzled till his puzzler grew sore,
For the market behaved just like cycles before.
"No panic," he muttered, "no sudden collapse—
No credit-wide freeze and no funding lapse."

He began to see cycles don't turn overnight,
That changes take time and can feel very slight.
Neither rumor nor panic makes markets adjust—
But data, and models, and forecasts they trust.

And what happened then? Well... in IOU-ville they say,
That his brain grew three sizes that very same day.
And he brought back the truth he'd discarded before,
With context and clarity—and rumors no more.

And the Grinch shared the data to one and to all,
And he worked through assumptions, both big ones and small.
And every deal penciled with risks priced just right—
And the Grinch, yes the Grinch, closed five deals that night.

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